2006 | 2007
Annual Report

partnerships
British Columbia

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- Kicking Horse Canyon Project
- Britannia Mine Water Treatment Plant
- Gordon and Leslie Diamond Health Care Centre

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Introduction

This Annual Report provides a review of the 2006-07 fiscal year for Partnerships British Columbia Inc. (Partnerships BC). In keeping with the direction from the Province, this report focuses on key aspects of the company's operations and outcomes that are of public interest. For Partnerships BC, this means a focus on the overarching objective of helping the Province deliver much needed infrastructure throughout British Columbia.

In line with government reporting standards, this Annual Report provides both specific information on Partnerships BC's goals, strategies and results, and contextual information such as the organization's mandate and governance. Combined, this information provides a comprehensive overview of Partnerships BC's contribution to the Province of British Columbia.

In brief, this Annual Report provides the following:

- The company's operational highlights for the 2006-07 fiscal year.
- An organizational overview, including the company's vision and values, as well as a description of the company's core business and services.
- The report on performance, which:
  - Includes information on changes to goals and measures.
  - Explains how performance was tracked and measured.
  - Provides a comparison of 2006-07 performance to previous years and service plan targets.
  - Defines targets for the 2007-08 to 2009-10 planning period.
- A description of how the company's goals align with the strategic direction of the Province.
- The company's financial report and management's discussion and analysis.
- Information on the company's governance structure and mandate from its shareholder.
- Information on Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC Inc.), a subsidiary of Partnerships BC.

Message from the Chair

I am pleased to present the 2006-07 Annual Report for Partnerships British Columbia Inc.

After its fourth full year of operations, the company has established itself as a North American leader in evaluating, structuring and implementing public private partnerships. There are currently 23 partnership projects either in operation or under construction in British Columbia, representing a total capital investment of $4.7 billion, of which $3 billion is from the private sector. Each of these projects is on schedule and on budget and is expected to realize significant value for taxpayers. These projects have achieved success in an extremely active construction environment in British Columbia. In addition to the above, Partnerships BC has approximately 20 projects in the planning and procurement stages.

In January 2006, the Britannia Mine Water Treatment Plant became operational, and in August 2006, the new Gordon and Leslie Diamond Health Care Centre opened to receive patients. Moreover, in the 2006-07 fiscal year, a wide range of new projects reached agreement using a variety of partnership structures.

For example, the Charles Jago Northern Sport Centre reached agreement through a design-build partnership in April 2006. Both the Vancouver Island Health Authority and Northern Health Authority Residential Care and Assisted Living Capacity Initiative projects reached financial close with private sector partners to design, build, finance and operate much needed health care infrastructure to serve our growing seniors population. The Vancouver Coastal Health Authority entered into a strategic partnering agreement to develop Primary Health Care Access Centres. In addition, the Pitt River Bridge and Mary Hill Interchange Project reached agreement through the award of a design-build contract. Construction continues on a number of partnership projects, including: the Sea-to-Sky Highway Improvement Project, the Kicking Horse Canyon Phase 2 Project, the William R. Bennett Bridge Project and the Abbotsford Regional Hospital and Cancer Centre.

Many of these projects have received national and international acclaim – British Columbia partnership projects have now received 15 national and international awards of recognition for excellence – most recently, the Golden Ears Bridge Project received the Infrastructure Journal Global Deal of the Year award. In addition, two projects involving Partnerships BC recently received Premier's Awards in Innovation and Excellence.

The diversity, innovation, risk transfer and cost-effectiveness of these projects provide concrete evidence of the benefits of the public private partnership approach and of the success of the Partnerships BC delivery model. British Columbia now has a platform of experience with strong expertise within Partnerships BC, government and the business sector and a foundation of best practices. In recognition of this success, the Province created a new capital standard, the application of which will further lever expertise and the use of best practices across the British Columbia public sector – in transportation, health care, advanced education, local government, K-12 education and other sectors that will assist in providing much needed infrastructure in our fast growing province.

The Partnerships BC 2006-07 Service Plan was based upon several key objectives: create new partnership opportunities that are of high quality and that benefit the public; develop and maintain high standards of client service and public disclosure; develop the public private partnership market; recruit and retain an experienced core of professionals; and implement sound operational systems to meet governance and financial accountability requirements.

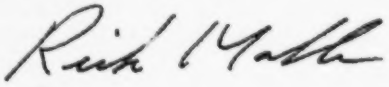
The Board of Directors of Partnerships BC has reviewed corporate performance in 2006-07 in relation to these objectives, and has concluded that the company met all of its controllable milestone events in client engagements and successfully delivered on all corporate initiatives in its Service Plan. The company did not meet some of its financial targets due to timing of projects but did achieve a 14.8 per cent Net Income Margin (approximately the Provincial shareholder's minimum requirement for a 15 per cent Net Income Margin).

In the past year, Partnerships BC continued to work with agencies in other provinces and with the federal government to create an attractive and effective pan-Canadian partnership market. The development of this market has been very significant over the past year as Canadian agencies have realized the benefits of cooperative action and information exchange, and as the Government of Alberta and the federal government have announced a commitment to public private partnership initiatives in their jurisdictions.

Partnerships BC is demonstrating positive results on a sustainable basis, recognizing that with even more experience there remains considerable potential for greater achievement. Our success to date is the result of our team of skilled professionals with oversight by a diverse and experienced Board of Directors. I would like to acknowledge the retirement of two of our Directors, Carol Stephenson and Jim Dinning, and I would like to recognize their very significant contributions and service to the people of British Columbia.

The 2006-07 Partnerships British Columbia Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board sets performance measures and holds management accountable for the contents of the report, and achievement against the performance measures. The information presented reflects the actual performance of the Crown agency for the twelve months ended March 31, 2007. All significant decisions, events and identified risks, as of March 31, 2007, have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of our actual performance in relation to our Service Plan.



Rick Mahler
Board Chair
Partnerships British Columbia Inc.

The Year in Review

It was another successful year for Partnerships BC. Grand openings were held for the Britannia Mine Water Treatment Plant and the Gordon and Leslie Diamond Health Care Centre; both projects were completed on time and on budget. Agreements were reached on five more projects using a variety of partnership structures.

Construction is well underway on a number of projects and all public private partnership projects remain on time and on budget – a considerable achievement in the current construction market.

Public private partnership projects continue to achieve provincial, national and international awards and accolades. The Province is now firmly positioned as a leader in both the national and international public private partnership market and Partnerships BC is at the forefront of public private partnership agencies worldwide.

Recognizing the success to date of the partnership program, the Province announced a new capital standard for projects in October 2006. Where the provincial contribution is more than $20 million, the preferred procurement option will be a public private partnership unless there is a compelling reason to do otherwise.

Charles Jago Northern Sport Centre

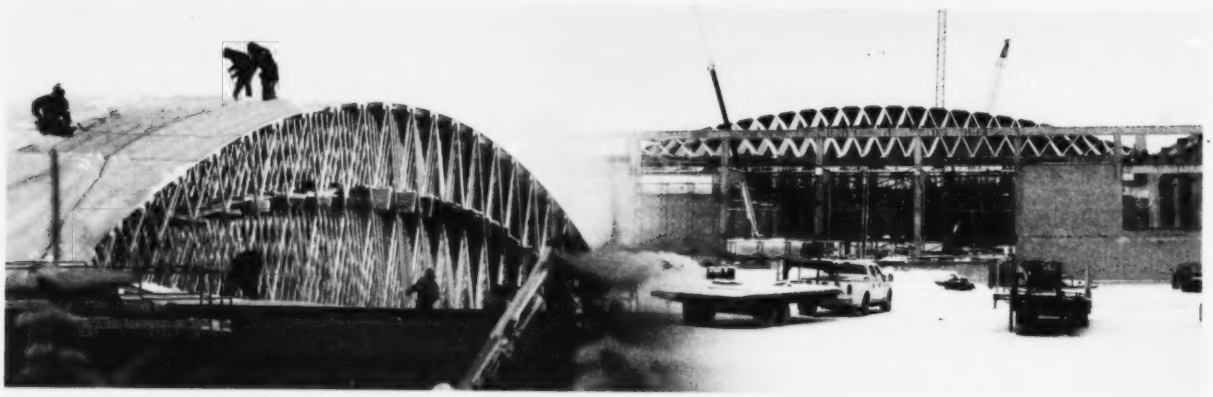
The Charles Jago Northern Sport Centre reached agreement through a design-build partnership in April 2006. The Centre, located on the University of Northern British Columbia campus in Prince George, is a $30.7 million facility that will bring together athletes, coaches and communities to foster a distinctive culture of excellence by integrating sport and education. With Partnerships BC as the procurement manager, an agreement was reached that resulted in more programs and services at no extra capital cost (e.g. two soccer fields instead of one).

Vancouver Island Health Authority Residential Care and Assisted Living Capacity Initiative

As part of the Province's commitment to develop 5,000 new long-term care beds and assisted living units, the Vancouver Island Health Authority retained Partnerships BC to manage a competitive selection process for the construction and operation of 1,050 new units by June 2008, with flexibility for an additional 180 units by 2010. After six months of negotiations, 10 agreements were signed with nine different preferred proponents. The overall schedule has been accelerated by more than three months and all risks of construction cost escalation are borne by the private partner.

There were two grand openings to celebrate the successful completion of partnership projects

Both the Britannia Mine Water Treatment Plant and the Gordon and Leslie Diamond Health Care Centre were officially opened in 2006 after being completed on time and on budget. The Britannia Mine Water Treatment Plant is now cleaning up polluted water from the former mine site and revitalizing the natural environment in the process. The Gordon and Leslie Diamond Health Care Centre was the first public private partnership in the health sector to be completed in British Columbia, and is now serving health care clients and University of British Columbia School of Medicine students.



Charles Jago Northern Sport Centre

Four Value for Money Reports were published in the 2006-07 fiscal year

Partnerships BC is committed to measuring and demonstrating the benefits of public private partnership projects for British Columbians through the publication of value for money reports. The report provides an overview of the competitive process undertaken to achieve the project objectives. For example, in addition to an expected benefit of $18 million over the life of the partnership agreement, the Kicking Horse Canyon Phase 2 Project will result in improved safety and reliability for the travelling public along the corridor. Likewise, the Charles Jago Northern Sport Centre will be constructed for a fixed capital cost and will benefit northern residents through the creation of a recreational centre that integrates sport and education. Additional reports published by other entities in 2006-07 were prepared for the Golden Ears Bridge Project and the Canada Line Project.

Partnerships BC continues to play a formal role in four projects following financial close

The Abbotsford Regional Hospital and Cancer Centre (ARHCC) will be an important regional referral hospital for the Fraser Valley and the fifth regional centre in the BC Cancer Agency's provincial cancer control network. The ARHCC project is being managed by Abbotsford Regional Hospital and Cancer Centre Inc., a wholly-owned subsidiary of Partnerships BC. Ownership of the project will devolve to the Fraser Health Authority and the Provincial Health Services Authority once substantial completion is reached in May 2008. The Abbotsford Regional Hospital and Cancer Centre is the first hospital public private partnership project in the history of British Columbia.

Partnerships BC continued to provide advice to the Province during the construction phase of the Kicking Horse Canyon Phase 2 Project and the Canada Line Project. In addition, Partnerships BC provided advice on the Britannia Mine Water Treatment Plant following completion of the project and the commencement of operations in 2006.

Public private partnership projects continue to garner national and international acclaim

A number of provincial, national and international awards were granted to public private partnership projects in British Columbia. Recipients include the Sea-to-Sky Highway Improvement Project, Kicking Horse Canyon Phase 2 Project and the Britannia Mine Water Treatment Plant. The Golden Ears Bridge Project received a total of four awards in recognition of its complexity, the innovative financing structure and the speed with which the project reached financial close.

The announcement of the new capital standard in October 2006 confirmed Partnerships BC's success to date

In 2006-07, Partnerships BC further refined its corporate goals to reflect the company's role in the new capital standard and added a fourth goal for the 2007-08 to 2009-10 planning period. Partnerships BC will play a central role in supporting the Province and public sector agencies in applying the new capital standard. It is an opportunity to lever the experience of the company and apply best practices in business planning and procurement – building on the platform of success developed over the past five years.

Partnerships BC continued to develop and apply best practices in an effort to streamline and expedite the procurement process to save time and money for public sector clients

In 2006-07, a variety of procurement and business planning templates were developed, including documents to support the application of the new capital standard. These documents will be utilized across the B.C. public sector.

With fewer projects in the market, Partnerships BC worked to diversify its client base and pursue additional sectors, while maintaining positive client relations with other sectors

The Province has identified future health care priority projects and the first of these projects, the Surrey Outpatient Facility, entered the market in March 2007. Partnerships BC was fortunate to have worked closely with clients on business planning and procurement analysis and recommendations in a variety of sectors, including: health, education, transportation, justice and wastewater. Looking forward to 2007-08, additional projects in health, transportation and other sectors are expected to enter the market.

Partnerships BC conducted its second bi-annual Employee Survey in 2006/07

Satisfaction levels among Partnerships BC employees increased nearly 10 per cent, from 82 per cent in 2004-05 to 91 per cent in 2006-07, in relation to employees' satisfaction with Partnerships BC's corporate goals and its commitment to deliver client service and results. In 2006-07, 74 per cent of employees were satisfied with recognition and compensation, an increase of five per cent from 2004-05. As well, 88 per cent of employees were satisfied with Partnerships BC's performance and accountability.

"Partnerships BC is at the vanguard of public-private partnership agencies worldwide."

– Stephen Harris
Chair, U.K. Public Private Partnerships Export Advisory Group
October 2006

Organizational Overview

This section includes a review of Partnerships BC's vision and values, as well as a description of products, services and clients served.

Vision

Partnerships BC's vision is to be the Province's centre of expertise for evaluating, structuring and implementing public private partnerships which serve the public interest. The company is committed to commercial viability, transparent operations, and achieving wide recognition for its innovation, leadership and expertise in public procurement.

Partnerships BC works with public sector agencies and private sector partners to create agreements that combine the best aspects of private sector expertise and public sector stewardship by:

- Evaluating opportunities for projects to be delivered through a partnership approach.
- Selecting partners through a competitive, fair and transparent process that delivers the best product or service at the best price.
- Ensuring the transfer of appropriate risk.
- Instilling a pay-for-performance system based on the private sector's ability to meet standards set by government.
- Facilitating the application of best practices on partnership projects.
- Attracting international expertise and capital investment to British Columbia.

The following corporate values guide Partnerships BC's approach to leadership and service:

Values	Corresponding Leadership Philosophy
Obtaining Value for Money	■ Explore and encourage innovation, new ideas and partnerships for infrastructure solutions that result in best value for taxpayer dollars. ■ Explore opportunities to increase social, economic, environmental, or other benefits derived from infrastructure. ■ Continue to improve efficiency, productivity and quality, targeting industry benchmarks.
Serving the Public Interest	■ Ensure that public interest issues such as transparency, safety and privacy are assessed and protected in developing solutions to infrastructure challenges. ■ Provide public agencies with tools and support to identify, evaluate, allocate and manage risk effectively.
Competition and Transparency	■ Improve the appeal of the British Columbia market so as to maximize the number of qualified bidders for partnership opportunities. ■ Ensure that all activities engaged in by Partnerships BC and its staff maintain the highest levels of fairness and openness.
Strong Accountability	■ Measure and report on performance at all levels. ■ Develop best practices from lessons learned and recognize achievement.
Respect and Integrity	■ Focus on clients, provide leadership, encourage teamwork and value diversity and differences of opinion. ■ Protect confidentiality of commercial information.

Primary Business

Partnerships BC's products and services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital.

As a Crown agency, Partnerships BC fulfills its mandate through the following service areas:

- As a centralized service, developing public private partnership expertise, documentation, processes and experience for the benefit of its clients and British Columbia taxpayers.
- Providing a full spectrum of services on a turnkey basis, giving clients strong analysis and management of the public private partnership process, allowing clients to focus on their core businesses and accountabilities.
- Providing full integration of its services with third party, professional advisory services (project management, technical, accounting, financial and legal) necessary to successfully conduct competitive procurement processes.
- Using varied project experience to provide a knowledge bank of best practices from which new projects benefit, thus helping to achieve a variety of objectives such as reducing procurement costs on new projects.
- Benefiting from the expertise and oversight of a highly qualified Board of Directors, with considerable understanding and insight into both the public and private sectors, to assess the commercial viability of public private partnership proposals.

Partnerships BC's specific services include:

- Partnership feasibility assessments.
- Business case development, review and evaluation.
- Procurement management.
- Best practices documentation, procedures and experience.
- Development of new partnership structures.
- Partner identification and market sounding.
- Project management.
- Advice on a range of issues such as contract negotiations, government approval processes, communications, business case review and managing partnership contracts post-financial close.

Examples of Partnership Models

Design-Build (DB)
The design and construction functions are the responsibility of the private partner selected through a competitive process. Financing and operations/maintenance are the responsibility of the public sector. Example: Charles Jago Northern Sport Centre.

Design-Build-Finance (DBF)
The design, construction and financing functions are the responsibility of the private partner selected through a competitive process. However, private financing is typically replaced following construction and the public sector is responsible for the cost of long-term operations and maintenance. Examples include health care projects in Ontario.

Design-Build-Finance-Maintain (DBFM)
The design, construction, financing and facility maintenance functions are the responsibility of the private sector partner selected through a competitive process. Example: Gordon and Leslie Diamond Health Care Centre.

Design-Build-Finance-Operate (DBFO)
The design, construction, financing and operations functions are the responsibility of the private partner selected through a competitive process. Example: Sea-to-Sky Highway Improvement Project.

Design-Build-Finance-Operate-Own (DBFOO)
The design, construction, financing, operation and ownership of facilities are the responsibility of the private partner selected through a competitive process. Example: Vancouver Island Residential Care and Assisted Living Capacity Initiative.

Corporate Overview

Partnerships BC was created in May 2002 to support the Province's commitment to sound fiscal management in the delivery of affordable infrastructure projects that meet the needs of British Columbians. Partnerships BC is a company owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole shareholder: the Minister of Finance. The company is incorporated under the *British Columbia Business Corporations Act*; therefore, it does not require enabling legislation.

Partnerships BC is responsible for bringing together the public and private sectors to develop and implement partnership projects. The company's primary clients are public sector agencies, including ministries, crown corporations, health authorities, school boards, advanced education institutions and local governments.

Partnerships BC provides services directly through its own expertise and also by utilizing external consultants where specialized advice is required. To strengthen the partnership market, Partnerships BC continues to build strong relationships with private sector partners such as developers; investors; the advisory and financial services sector; and, providers of construction, engineering and facilities management service providers.

The company's organization, staffing and governance reflect and support this blend of the public and private sector to best serve the public interest. For example, Partnerships BC's Board of Directors and staff have a mix of skills and expertise from both sectors. The company has offices in both Vancouver and Victoria to serve both sectors effectively.

Partnerships BC's executive organizational structure is as follows:

Board of Directors

CEO

VP Partnerships Development & Delivery	VP Partnerships Services	Comptroller

In 2006-07, Partnerships BC employed 39.2 professional and administrative full-time equivalent positions and engaged in-sourced contractors as required. To respond to business needs, Partnerships BC is structured into strategic service units that support the company's project focus and operational requirements: Partnerships Development and Delivery, Partnerships Services and a Finance and Administration unit under the direction of the Comptroller. These business units, and their primary functions, are described in the table below.

SENIOR MANAGEMENT TEAM

President & CEO

VP – Partnerships Development & Delivery	VP – Partnerships Services	Comptroller
Areas of Responsibility	**Areas of Responsibility**	**Areas of Responsibility**
■ Business Development	■ Policy and Practices	■ Finance and Accounting
■ Project Governance and Delivery	■ Communications	■ Human Resources
■ Corporate Relations	■ Government Relations	■ Administration
■ Market Development	■ Legal Services	■ Facilities
■ Senior Project Advice	■ Procurement Services	■ Information Technology
	■ Marketing & Research	■ Contract Management
	■ Senior Project Advice	■ Corporate Governance

Report on Performance

This section provides an overview of Partnerships BC's goals, targets, measures and performance. This includes a discussion of changes to goals and measures during the year; an explanation of how measures were tracked; and, a review of key challenges and the steps taken to mitigate those challenges.

Goals

Building on the platform of success established over the past five years and reflecting both the vision of its Board of Directors and the needs of its shareholder, the company focused on three goals for the 2006-07 fiscal year:

1. Structure and implement public private partnership solutions which serve the public interest (60 per cent).
2. Encourage development of the public private partnership market in British Columbia (15 per cent).
3. Remain commercially viable and increase productivity (25 per cent).

Changes to Goals

Partnerships BC continues to refine and reassess its corporate goals to reflect the evolving vision of the company and its Board of Directors, the growth of the public private partnership market in British Columbia and the emerging policy needs of its shareholder.

In the early years of operation, the company was focused on developing the partnership market in British Columbia and demonstrating the benefits of the partnership model. As the public private partnership market has matured alongside Partnerships BC, the company has focused on strengthening the market and evaluating, structuring and implementing partnership solutions and ensuring the successful delivery of partnership projects.

In October 2006, the Province announced a new policy framework for capital projects which resulted in an expanded role for Partnerships BC. Under the new capital standard, public private partnerships are considered to be the base case where the Province contributes more than $20 million to the capital cost of a project. In light of this new policy direction, Partnerships BC reassessed its goals and strategies and added a fourth goal to reflect the expanded role of the company going forward:

- Ensure that public private partnership projects with provincial funding exceeding $20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices.

This report assesses the performance of Partnerships BC against the goals and measures as defined in the 2006-07 Service Plan. Goals, targets and measures for 2007-08 and beyond will be based on the 2007-08/2009-10 Service Plan.

(Changes to goals and measures are summarized in Appendix 1: Changes to Goals and Measures).

Measures and targets may be refined and further improvements will be made in the years ahead as Partnerships BC continues to grow and the business environment changes. Partnerships BC collects and utilizes data from reliable independent and government sources in the development of targets for the performance measures in the Service Plan. For example, data from the B.C. Public Service Work Environment Survey allows the company to benchmark employee satisfaction. The company monitors performance against the measures in the Service Plan and takes corrective action as necessary to ensure it remains on-track to achieve its corporate goals.

Measurement

Partnerships BC continues to hold a unique place in the market, acting both as advisor to government and as the gateway to the business sector. Qualitative and quantitative measures are used to reflect the need to serve the public interest. Qualitative measures, such as the publication of value for money and fairness advisors' reports, reflect the public sector interest. Quantitative measures, such as standard measures of commercial viability, reflect the business influence.

Abbotsford Regional Hospital and Cancer Centre

Partnerships BC tracks data from a number of sources, including:

- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations.
- Tracking of project milestones and comparison of milestones achieved based on project plans.
- A knowledge management strategy to track and catalogue best practices, project precedents and benchmark cost data.
- Information from client and employee satisfaction review processes, including surveys and interviews.

General Planning Context

One of the most significant factors to change the strategic context in which Partnerships BC operated in 2006-07 was the introduction of the new capital standard. Since the announcement in October 2006, Partnerships BC has worked with the Province, public sector clients, stakeholders and the partnership market to raise the level of awareness and understanding of this new policy direction and support its implementation.

Other factors that impacted Partnerships BC's strategic environment are related directly to the fiscal situation and infrastructure requirements of the majority of the company's public sector clients. For example, the Province's planned infrastructure growth in health care, education, advanced education, municipal infrastructure and the Gateway Program provided opportunities for Partnerships BC to assist clients to add value to projects while serving the public interest.

British Columbia continued to experience a heated construction market province-wide and in the Lower Mainland in particular. Since 2000, construction costs in the Lower Mainland have seen a cumulative compounded increase of 65 per cent across all sectors.[1] In this construction market, public private partnership projects are providing taxpayers with budget and schedule certainty.

The Canadian partnership market continued to grow in 2006-07. Governments across the country are beginning to embrace new partnership models as a way to address the infrastructure deficit: partnership agencies are fully operational in Ontario and Quebec; the federal government expressed its commitment to a public private partnership initiative and to establishing a Canadian partnerships agency to deliver infrastructure projects; and the Government of Alberta expressed its commitment to a public private partnership initiative. These developments across Canada will help strengthen the market as illustrated by the number of new market participants that are expanding and locating across the country.

[1] BTY Group, Market Intelligence, Q4 2006

Risk Management

A number of potential risks factored into Partnerships BC's plans for realizing its objectives in 2006-07. As described below, the company developed strategies for managing those risks while pursuing opportunities. The risk profile faced by Partnerships BC in 2006-07 was similar to previous years, although inflationary pressures and capacity in the construction industry remained significant concerns. In addition, increased competition on projects in other jurisdictions presented both a risk and an opportunity for the company.

Key risks and their corresponding mitigation measures, as identified through Partnerships BC's ongoing approach to risk management, are as follows:

Scope of business, focus and client base

Partnerships BC was created as part of the provincial government's strategic plan to invest in infrastructure to better meet the needs of British Columbia taxpayers. Partnerships BC is focused on capital infrastructure and works with public sector clients to identify the best solution to meet the specific service delivery need. Despite the significant market potential for public infrastructure development in British Columbia and beyond, Partnerships BC's specialized product offering and client base does impose certain business risks. For example, lags in project flow pose challenges from a revenue and resource planning perspective in both the short and long terms.

Actions undertaken to manage risk and optimize opportunities related to business scope included:

- Focusing on providing quality outcomes to existing clients to increase confidence and encourage future engagements.
- Consulting regularly with government agencies to continually understand their needs and identify project opportunities.
- Working to expand Partnerships BC's potential client market to include other levels of government and other jurisdictions.

Evolving policy and public administration environment

Partnership structures are still a relatively new infrastructure delivery model – both in British Columbia and Canada – and public administration and policy are evolving to accommodate new partnership structures. Partnerships BC is working with central agencies and other stakeholder and professional practice bodies to ensure appropriate policy approaches, such as accounting treatment, are considered for partnership projects.

Operational contract management risks

There are currently 23 partnership projects either in operation or under construction in British Columbia. These projects represent a new approach to the delivery of public infrastructure and contract management. To enable effective ongoing project management, Partnerships BC is focused on developing best practices in contract management and applying lessons learned from other jurisdictions. The result will be a coordinated, consistent approach to ensure risks are anticipated and addressed throughout the construction and operating phases of partnership projects.

Public private partnership market capacity

The public private partnership market in Canada continued to grow throughout 2006-07, with a number of health care, transportation and real estate projects entering the market. Internationally, the market has matured in countries such as the United Kingdom, Australia, France and Spain and emerged in several American states, Southeast Asia, South America and South Africa. Consequently, capacity in British Columbia continued to grow and compete with other jurisdictions for market participants.

A strong economy combined with record levels of construction in British Columbia, nationally and internationally, further challenged Partnerships BC to attract private companies to foster a competitive market.

External factors have played a significant part in Partnerships BC's success and the company faced challenges related to:

- Growth of public private partnership markets in competing jurisdictions.
- General private sector interest in public private partnerships worldwide.
- Development of private sector public private partnership capacity within British Columbia.
- Capacity and inflationary pressures in the construction sector across the province.
- Population growth and demographic shifts that impact both the need for infrastructure and the capacity to deliver.

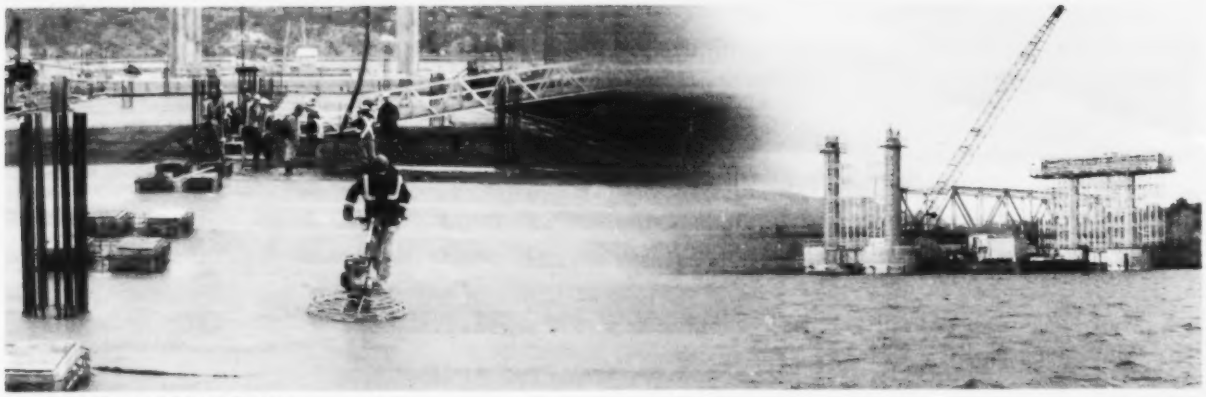
Meeting these challenges required Partnerships BC to enhance relationships with stakeholders and business partners, and standardize practices to support market development. The company worked to better understand the international market and broaden the Canadian market through the following research and outreach activities:

- Developing relationships and consulting with a wide range of public private partnership stakeholders to ensure the continuous transfer of knowledge related to best practices. This included the development of standardized and consistent approaches to reduce transaction and bid costs to make B.C. a more attractive market for both clients and bidders.
- Holding discussions with other provincial governments to broaden the Canadian public private partnership market and enhance the expansion of best practices to make the Canadian market more attractive to bidders.
- Communicating with public private partnership organizations and stakeholders around the world such as the United Kingdom and Australia to build on their experiences in a mature market.
- Ensuring rigorous project budgeting to address project specific risks such as construction cost escalation.
- Encouraging business-to-business partnering opportunities within and outside B.C. through education and awareness.
- Conducting research and assessing market interest in advance of project implementation to ensure a viable market.
- Involving the academic community in the analysis of the British Columbia project experience to further develop best practices.

Internal experience and capacity

In addition to the external market capacity risks described, Partnerships BC continually builds the experience and skill sets it needs to be a leader in providing public private partnership products and services. At the same time, Partnerships BC faces the challenge of balancing service demand with its corporate capacity to ensure successful performance at both the project and organizational levels. To meet these challenges, the company developed and implemented a human resources approach that:

- Ensured Partnerships BC's professionals developed the right mix of skills and expertise for the expected project flow and corporate responsibilities, and that expertise was drawn from both the public and business sectors.
- Emphasized and facilitated continuous learning and improvement. This included the development of a corporate knowledge management system that will make best practices easily accessible to all staff so they have the tools to be successful.
- Optimized staff retention and recruited new personnel when required.
- Included targeted and relevant training for staff.
- Benchmarked human resource management strategies against comparable organizations.



William R. Bennett Bridge Project

Reputation risk

Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. The ability of Partnerships BC to provide quality service and foster market growth is directly tied to the reputation of the company and the demonstrable success of its projects. A strong reputation will attract more clients, improve relationships and generally assist with the growth of the market in British Columbia and Canada.

Partnerships BC employed the following risk mitigation strategies to address reputation risk:

- Increased focus on the use and application of best practices – including extensive peer review – in all of its activities to help ensure quality of service and successful projects.
- Continued emphasis on disclosure and transparency.
- Sought feedback from all market participants and clients; addressed concerns and criticisms of operations effectively and efficiently; and, aligned corporate strategies with stakeholder expectations.
- Ensured appropriate operational and internal controls were in place.
- Board and staff continued to operate at the highest levels of integrity.

Management and operational risks

As a knowledge-based professional services company, Partnerships BC's ability to serve its clients is dependent entirely upon its ability to harness and direct that knowledge. As a result, Partnerships BC faces business risks relating to information management. Furthermore, Partnerships BC manages a significant volume of contracts on behalf of its clients. Systems must be robust, and continuity plans must be in place in the event that there are disruptions to service.

Partnerships BC employed the following risk mitigation strategies to address management and operational risk:

- Continually updated and improved its management and financial information systems and related processes.
- Addressed business disruption issues with the effective deployment of business continuity plans.
- Worked to improve server performance and the implementation and management of back-up systems.
- Addressed information systems related risks.
- Implemented improved contract management processes and worked to establish best practices in contract management.
- Continued to work with the Risk Management Branch to address management and operational risks.

2006-07 Performance Results

Partnerships British Columbia presented its performance results to the Board of Directors at the end of 2006-07. The company achieved its objectives in terms of starting and completing partnership projects; pursuing new opportunities in a variety of sectors; demonstrating the benefits of public private partnerships through completed projects; remaining commercially viable although the company did not achieve its Net Income Margin; and, generating positive external recognition for projects and the company.

A summary of goals, measures and results for 2006-07, and goals and measures for 2007-08 to 2009-10, follow at the end of this section.

Goal 1 – Structure and implement public private partnership solutions which serve the public interest

Partnerships BC's mandate is to evaluate, structure and implement public private partnership solutions which serve the public interest. Therefore, the company measures its performance, in part, by tracking its ability to meet project milestones and initiate new projects.

During the year, Partnerships BC actively worked on 48 new engagements with a variety of clients across the public sector, including other levels of government. Partnerships BC worked with its clients to develop business cases and the company was fortunate to have business planning assignments expanded into procurement manager/advisor assignments. All controllable project milestones were met, meaning that projects were proceeding according to schedule.

Agreements were reached on five projects using a variety of partnership structures. Each project is expected to demonstrate additional value and benefits for taxpayers. For example, the Charles Jago Northern Sport Centre will be constructed for a fixed capital cost and will benefit northern communities through the integration of sport and education in a high-performance sport centre.

The company continues to play an active role on four projects either in the construction or operating phase and all other partnership projects remain on time and on budget. Partnerships BC's commitment to openness and transparency was reflected in the release of four value for money reports that summarize the competitive process undertaken to achieve project objectives such as improved safety and service quality.

Partnerships BC is committed to ensuring that public sector clients are provided with the highest standard of service possible, and that they are satisfied with the quality of services. Accordingly, Partnerships BC has developed a bi-annual client review system to evaluate our efforts at putting clients' needs first. The next client review will be undertaken in 2007-08; however, in 2006-07 Partnerships BC gained repeat business from a number of major clients and anecdotally, received positive feedback for the services provided. With the introduction of the new capital standard, Partnerships BC will tailor its client satisfaction survey to address the implications of the new capital standard.

Goal 2 – Encourage development of the public private partnership market in British Columbia

Partnerships BC is focused on growing the public private partnership market by creating a centre of expertise in British Columbia. A key measure in achieving this is the harnessing of best practices from one project and transferring the knowledge and experience to other projects, thereby improving efficiency and quality.

"British Columbia, in particular, has been receiving international accolades for its early accomplishments in the area of P3 development."

– Derek Burleton
Associate Vice President and Senior Economist, TD Bank Financial Group
June 2006

Partnerships BC continued to develop and apply best practices in an effort to streamline and expedite the procurement process to save time and money for public sector clients. Partnerships BC also developed a more streamlined approach to advisor procurement through the prequalification of a variety of advisors required for projects.

In addition, through consultation with the public private partnership market, position papers were developed on key commercial terms. These position papers provided the foundation for the development of a concession agreement template which project teams can customize to meet specific project needs. Partnerships BC is sharing best practices with partnership agencies in Quebec and Ontario, and the Government of Alberta, in an effort to present the market with a common approach.

The success of the partnership initiative in British Columbia is reflected in the number of international public private partnership market participants that are either expanding or establishing offices in Vancouver. Additional new market participants located in Toronto in order to cover the Canadian market, and are active in the British Columbia market. Many of these prospective business partners have significant experience in delivering partnership projects.

Partnerships BC continues to receive widespread recognition for the company's success to date. In 2006-07, nine different provincial, national and international awards were granted to public private partnership projects in British Columbia. Partnerships BC was also recognized by Public-Private Finance Magazine's Best Government/Government Agency category. The Province is now firmly positioned as a leader in both the national and international public private partnership market and Partnerships BC is at the forefront of public private partnership agencies worldwide.

Goal 3 – To remain commercially viable and increase productivity

As a procurement agency, the most labour intensive time for the company is when projects are in the market. Consequently, with fewer projects in the market, Partnerships BC did not achieve the 21 per cent Net Income Margin (pre-variable compensation) target that was established for 2006-07, although the company did achieve a 14.8 per cent Net Income Margin (approximately the 15 per cent shareholder Net Income Margin requirement).

With a limited number of projects in procurement, Partnerships BC worked to diversify its client base and to pursue additional sectors, while maintaining positive client relations with other sectors. The company was fortunate to have worked with new and existing clients to develop business cases and recommend procurement solutions to meet a range of capital infrastructure needs.

As a knowledge company, Partnerships BC remains committed to building and retaining a staff complement that is highly skilled, has in-depth knowledge of both the public and private sectors, is adaptable to a changing environment and is responsive to the needs of its clients. Partnerships BC has implemented a bi-annual employee satisfaction survey and the results for 2006-07 are positive. Ninety-one per cent of employees are satisfied with Partnerships BC's corporate goals and its commitment to deliver client service and results, an increase of nearly 10 per cent from 2004-05. Nearly three-quarters of employees are satisfied with recognition and compensation, an increase of five per cent from 2004-05. Moreover, 88 per cent of employees are satisfied with Partnerships BC's performance and accountability – consistent with results from 2004-05.

For the first time this year, Partnerships BC employees participated in the B.C. Public Service Work Environment Survey. Going forward, this will allow the company to compare results with public service employees. As well, certain initiatives will be undertaken in 2007-08 to respond to employee survey results in order to increase overall employee satisfaction in the future.

Following the departure of members of the executive team, the company re-aligned its organization structure into the following functions: Partnerships Development and Delivery; Partnerships Services; and, Comptroller. The company continues to refine its performance management system and develop learning programs to ensure that staff members have the opportunity to optimize their individual performance and reach their personal career goals.

Results (Based on 2006-07 Corporate Goals)

Goal 1 – Structure and implement public private partnership solutions which serve the public interest

	PAST PERFORMANCE		2006-07 PERFORMANCE	
Strategies	**2004-05 Results**	**2005-06 Results**	**Targets**	**Results**
▪ Build and maintain relationships with public sector client agencies	▪ New engagements in health and advanced education ▪ Four financial closings	▪ Eleven new engagements mostly in health and education ▪ Four directly managed financial closings	▪ Public private partnership development agreement engagements with Province and/or other agencies	▪ 48 new engagements in a variety of sectors ▪ Good relations and information sharing with other governments, for example, Quebec, Ontario and Alberta
▪ Seek out new business opportunities	▪ Three engagements with clients outside of the Province	▪ Four engagements with non-Provincial clients ▪ Two post financial close engagements	▪ Revenue growth	▪ Five agreements reached; four post financial close engagements ▪ Business planning assignments expanded into Procurement Manager/Advisor assignments
▪ Ensure project risks are properly identified, allocated and managed through rigorous financial analysis and assessment ▪ Make decisions based on an assessment of quantitative and qualitative factors	▪ All controllable project milestones met	▪ All controllable project milestones met	▪ Project milestones achieved	▪ All controllable project milestones met
▪ Obtain and measure client input and assess service quality provided to internal and external stakeholders	▪ Client review system developed and implemented ▪ 100% satisfied with commitment to client success ▪ 68% satisfied with current resources	▪ 92.3% overall client satisfaction ▪ Three repeat assignments	▪ Client survey results indicate Partnerships BC performance meets or exceeds client expectations	▪ Positive feedback from clients; improved relations in key sectors ▪ Repeat business from a variety of major clients
▪ Publish Value for Money Reports and Reports of the Fairness Advisor as appropriate and requested	▪ Value for Money Reports published on four projects	▪ All closed projects demonstrated value for money through either published reports or other communications	▪ Publish Value for Money Reports on all projects after financial close has been reached	▪ All reports published; no opinions required
▪ Communicate the benefits of PPPs	▪ Positive fairness opinions delivered	▪ Positive fairness reports for applicable closed projects (three)	▪ Publish fairness and probity opinions on projects where size and scope warrants fairness review	

Goal 2 – Encourage development of the public private partnership market in British Columbia

	PAST PERFORMANCE		2006-07 PERFORMANCE	
Strategies	**2004-05 Results**	**2005-06 Results**	**Targets**	**Results**
▪ Implement a knowledge management system to capture and incorporate best practices	▪ Synergies across projects demonstrated	▪ Numerous examples of best practices applied	▪ Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments	▪ Sharing best practices with Ontario, Quebec and Alberta ▪ New capital standard recognizes Partnerships BC best practices
▪ Implement a stakeholder outreach program to increase recognition of Partnerships BC ▪ Participate within and outside B.C. at conferences and workshops	▪ New market participants including ABN Amro, AMEC and Ledcor ▪ Positive media and stakeholder feedback achieved ▪ Two awards	▪ Numerous new equity players, lenders and developers ▪ Positive recognition for fairness and disclosure processes	▪ New market participants in B.C.	▪ Major international market participants have established offices in B.C.: Babcock & Brown; John Laing; Bilfinger Berger Health and Construction; Innisfree; Skanska
▪ Enter into PPP development agreements with clients in strategic sectors		▪ Contracts or information shared with other levels of government	▪ Annual examples of synergies and process cost reductions ▪ External validation (i.e. awards, informed media coverage, etc.)	▪ Concession Agreement template developed; additional project templates developed ▪ Positive recognition for Partnerships BC; nine awards for PPP projects

Goal 3 – Remain commercially viable and increase productivity

	PAST PERFORMANCE		2006-07 PERFORMANCE	
Strategies	**2004-05 Results**	**2005-06 Results**	**Targets**	**Results**
▪ Ensure fees are commensurate with the cost of services provided ▪ Ensure that Partnerships BC's resources and cost structure are appropriate for the expected workload	▪ Net income below target, at $289,516	▪ Net Income Margin targets met, $1,462,386 ▪ Equity target met	▪ Meet financial plan targets (minimum 15% Net Income Margin pre-variable compensation) ▪ Net income margin	▪ Net Income Margin below 21% target but achieved a 14.8% Net Income Margin (approximately the shareholder's minimum requirement for a 15% Net Income Margin)
▪ Prudently manage expenses and internal costs ▪ Structure contract with milestone payments to develop a stable cash flow			▪ Minimize charge-out rates to clients	▪ No increase in charge-out rates
▪ Monitor human resource issues and adjust strategy as required ▪ Develop internal performance measures for Partnerships BC and its staff which tie individual and collective success to the achievement of milestone events	▪ Employee survey results range from 69.2% to 87.6%	▪ Strategic and operational Human Resources functions staffed ▪ Performance Management System refined	▪ Employee satisfaction ▪ Targeted and relevant training	▪ Employee survey results range from 73.2% to 90.5% ▪ All initiatives related to internal management of financial controls, Human Resources and IT implemented

Targets (Based on 2007-08 to 2009-10 Corporate Goals)

Goal 1 – Structure and implement public private partnership solutions which serve the public interest

	FUTURE PERFORMANCE		
	2007-08 Targets	**2008-09 Targets**	**2009-10 Targets**
Public Private Partnership development agreement engagements with Province and/or other agencies	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved
Revenue growth	17%	10%[2]	2%
Client survey results indicate Partnerships BC performance meets or exceeds client expectations	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
Project milestones achieved	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)
Publish Value for Money Reports or other communications on all projects after financial close has been reached	100% documents published	100% documents published	100% documents published
Publish fairness and probity opinions on projects where size and scope warrants fairness review	100% reports published	100% reports published	100% reports published

[2] Reflects completion fee for Abbotsford Regional Hospital and Cancer Centre project in 2008-09

Goal 2 – Encourage development of the public private partnership market in British Columbia

	FUTURE PERFORMANCE		
	2007-08 Targets	**2008-09 Targets**	**2009-10 Targets**
New market participants in B.C.	Number of new market participants	Number of new market participants	Number of new market participants
Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources
Annual examples of synergies and process cost reductions	Benchmark strategy to be developed	TBD	TBD
External validation (i.e. awards, informed media coverage, etc.)	Examples from 3rd party validators	Examples from 3rd party validators	Examples from 3rd party validators

Goal 3 – Remain commercially viable and increase productivity

	FUTURE PERFORMANCE		
	2007-08 Targets	**2008-09 Targets**	**2009-10 Targets**
Meet budget (minimum 15% Net Income Margin pre-variable compensation)	Meet budget (15% Net Income Margin pre-variable compensation)	Meet budget (15% Net Income Margin pre-variable compensation)	Meet budget (15% Net Income Margin pre-variable compensation)
Minimize charge-out rates to clients	Charge-out rates unchanged from 2005-06	Charge-out rates review	Charge-out rates review
Employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction
Targeted and relevant training	5% of compensation costs	5% of compensation costs	5% of compensation costs

Kicking Horse Canyon Phase 2 Project

Goal 4 – Ensure that public private partnership projects with provincial funding exceeding $20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices

	FUTURE PERFORMANCE		
	2007-08 Targets	**2008-09 Targets**	**2009-10 Targets**
Client (Ministries) Satisfaction survey and milestones met	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
Examples of best practices applied and costs reduced on oversight projects	Examples published	Examples published	Examples published

Alignment with Government's Strategic Plan

The Province has outlined five great goals for a golden decade which will guide future strategic investments in priority areas such as education, health care, people in need, the environment and job creation. The five great goals are to:

Goal 1: Make British Columbia the best-educated, most literate jurisdiction on the continent.

Goal 2: Lead the way in North America in healthy living and physical fitness.

Goal 3: Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.

Goal 4: Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

Goal 5: Create more jobs per capita than anywhere else in Canada.

With a strong and vibrant economy and a commitment to sound fiscal management, the Province is making significant investments in health care, education and transportation infrastructure to improve or replace these structures to better meet the needs of British Columbians.

Based on a solid track record for delivering capital projects on time and on budget, the Province announced a new capital standard regarding project funding. For capital projects where the Province contributes $20 million or more, the public private partnership model is considered the base case unless there is a compelling reason to do otherwise.

The application of the new capital standard will impose a discipline for good business planning to deliver best value for British Columbia taxpayers. Partnerships BC has been working with the Province and public sector clients to raise the level of expertise and understanding on the full range of procurement options and the benefits of the partnership model. Partnerships BC reassessed its goals and strategies in light of the new capital standard and the company's expanded role, and added a fourth corporate goal for the 2007-08 to 2009-10 planning period.

To date, there are 23 public private partnership projects either in operation or under construction in British Columbia. Each of these projects supports at least one of the five great goals. For example, the Britannia Mine Water Treatment Plant is helping the government to lead the world in sustainable environmental management by cleaning up a contaminated mine site and improving water quality in Howe Sound. The Abbotsford Regional Hospital and Cancer Centre is an environmentally sound building designed and constructed to achieve a LEED Silver (Leadership in Energy and Environmental Design) standard. Both the Vancouver Island Health Authority and Northern Health Authority residential care and assisted living projects will help the government build the best system of support in Canada for seniors by providing a greater range of options for seniors' care. The growth of the partnership market in British Columbia combined with the projects that are operating or under construction is helping British Columbia to lead the way in job creation in Canada. For example, it is estimated that the construction of the Golden Ears Bridge will create more than one billion dollars in economic activity and 6,500 person years of employment.

"All provincially-funded capital projects with a value of over $20 million will be considered first by Partnerships BC to be built as public private partnerships unless there is a compelling reason to do otherwise. Public private partnerships to date have resulted in significant benefits to British Columbians and it is important we achieve the maximum value for taxpayer dollars."

– Premier Gordon Campbell

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of Partnerships BC is intended to be read in conjunction with the audited consolidated financial statements and accompanying notes. The results reported have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are presented in Canadian dollars.

This MD&A also contains forward-looking statements, including statements regarding business and anticipated financial performance of the company. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results or performance to differ materially from forecasted results expressed or implied.

Highlights

1. Achieved Net Income Margin (Pre-Variable Compensation) of 14.8 per cent

Partnerships BC's net income (pre-variable compensation) was $1,211,932 which translated to a net income margin (pre-variable compensation) of 14.8 per cent (approximately the 15 per cent shareholder minimum Net Income Margin requirement).

2. Increase in 2006-07 Consolidated Work Fee Revenue

Partnerships BC's consolidated work fee revenue was $5,948,551 in 2006-07 compared to $5,290,885 in 2005-06, an increase of 12 per cent.

3. Improved Balance Sheet

Partnerships BC's unrestricted cash and cash equivalents increased to $7,035,926 in 2006-07 compared to $6,888,474 in 2005-06.

4. Projects Reaching Agreement

During the year, the following projects reached agreement using a variety of partnership structures:

- Charles Jago Northern Sport Centre
- Vancouver Island Health Authority Residential Care and Assisted Living Capacity Initiative
- Northern Health Authority Residential Care and Assisted Living Capacity Initiative
- Vancouver Coastal Health Authority Primary Health Care Access Centres
- Pitt River Bridge and Mary Hill Interchange Project

5. New Board Members

Partnerships BC welcomed Susan Conner and Colin Dobell as members of its Board of Directors.

Ms. Conner is the President and Chief Executive Officer of a project management and consulting firm specializing in large-scale health care development projects. Ms. Conner is a Chartered Accountant and has also been awarded a fellowship (FCA) from the Institute of Chartered Accountants of Ontario.

Colin Dobell has 28 years experience in investment banking, 17 of which he was Vice President and Director in British Columbia for Wood Gundy Inc. He also managed a private financial consulting firm for 12 years, advising corporate clients on financial transactions and other related activities and has served on the boards of several publicly listed companies. He has a bachelor of commerce from the University of British Columbia and a master's of business administration from York University.

6. Achievements and Awards

The following public private partnership projects received awards during the year:

- Sea-to-Sky Highway Improvement Project
- Kicking Horse Canyon Phase 2 Project
- Britannia Mine Water Treatment Plant
- Golden Ears Bridge Project

Annual Financial Perfomance

Comparison of 2006-07 and 2005-06 Financial Performances

The audited consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC).

Partnerships BC anticipated that fiscal 2006-07 was going to be a year of change. The company introduced a new business model in which revenues are largely based on work fees, instead of completion and milestone fees and the government services contract. The company had consolidated revenues of $8,182,737 in 2006-07 compared to $8,714,803 in 2005-06 which resulted in a net income of $605,932 in 2006-07 compared to a net income of $1,462,386 last year.

The table below presents a comparison of selected income statement items of the current fiscal year with those of the previous fiscal year.

			(% of revenues)	
	2007	**2006**	**2007**	**2006**
Revenues	$ 8,182,737	$ 8,714,803	–	–
Project recoveries	3,383,535	3,393,607	41.3%	38.9%
Project expenses	3,383,535	3,393,607	41.3%	38.9%
Salaries and benefits	5,600,855	5,236,971	68.4%	60.1%
General and administrative expenses	1,748,015	1,857,138	21.4%	21.3%
Amortization	227,935	158,308	2.8%	1.8%
Net income for the year	$ 605,932	$ 1,462,386	7.4%	16.8%

As a procurement agency, the most labour intensive time for the company is when projects are in the market. Therefore, project flow and approval has an impact on the consolidated revenues for the company. With a limited number of projects in the market, there was a decrease in consolidated revenues for the company. In addition, the shift from a business model based on completion and milestone fees to one of a consulting organization had an impact on Partnerships BC's consolidated revenues. This was evidenced by the increase in the percentage of work fees from 61 per cent in 2005-06 to 73 per cent in 2006-07.

Consolidated Revenues

The table below provides details of the company's revenues by category.

			(% of revenues)	
	2007	**2006**	**2007**	**2006**
Work fees	$ 5,948,551	$ 5,290,885	73%	61%
Completion and milestone fees	139,271	1,321,786	2%	15%
Provincial government revenue	1,800,000	1,800,000	22%	21%
Other revenue	294,915	302,132	4%	3%
	$ 8,182,737	$ 8,714,803	100%	100%

Consolidated revenues for the year ended March 31, 2007 were $8,182,737 of which $5,948,551 or 73 per cent was for work fees, $139,271 or two per cent was for completion and milestone fees and $1,800,000 or 22 per cent was revenue from the government services contract. In comparison, consolidated revenues for the year ended March 31, 2006 were $8,714,803 of which $5,290,885 or 61 per cent was for work fees, $1,321,786 or 15 per cent was for completion and milestone fees and $1,800,000 or 21 per cent was revenue from the government services contract.

Partnerships BC's business model for 2006-07 was to maintain its existing pricing structure and to shift the company from a completion and milestone fee model to one of a work fee model. This change to the business model was significant, as the company increased its work fees from $5,290,885 in 2005-06 to $5,948,551 in 2006-07, an increase of 12 per cent. Correspondingly, Partnerships BC also saw a decline in completion and milestone fees from $1,321,786 to $139,271, a decrease of 90 per cent, in line with budget expectations.

Going forward, Partnerships BC will maintain its current business model and with additional health and transportation projects expected to enter procurement combined with the implementation of the Province's new capital standard, Partnerships BC anticipates a revenue growth of 17 per cent in 2007-08. Under the new capital standard, where the Province contributes $20 million or more to a capital project the preferred procurement option will be a public private partnership unless there is a compelling reason that an alternative approach will provide better value.

The table below provides changes to the company's revenues by category.

	2007	**2006**	**Change**	**%**
Work fees	$ 5,948,551	$ 5,290,885	$ 657,666	12.4%
Completion and milestone fees	139,271	1,321,786	(1,182,515)	-89.5%
Provincial government revenue	1,800,000	1,800,000	-	0.0%
Other revenue	294,915	302,132	(7,217)	-2.4%
	$ 8,182,737	$ 8,714,803	$ (532,066)	-6.1%

Work Fees

Work fees typically reflect the cost of providing services and are not directly related to milestone events or performance.

Work fees were recognized from several provincial government ministries, Crown corporations, universities, colleges and non-ministry sources. In 2006-07, Partnerships BC's clients included:

- Ministry of Transportation
- Ministry of Health and other Provincial Health Authorities
- Ministry of Education
- Ministry of Tourism, Sport and the Arts
- Ministry of Economic Development
- Simon Fraser University
- University of British Columbia
- BC Transmission Corporation
- Province of Quebec
- TransLink

The table below provides details of the company's work fees by sector.

			(% of revenues)	
	2007	**2006**	**2007**	**2006**
Ministry of Transportation	$ 957,550	$ 2,075,992	16.1%	39.2%
Ministry of Health and Provincial Health Authorities	2,712,370	1,632,374	45.6%	30.9%
Universities and Colleges	367,890	613,268	6.2%	11.6%
Ministry of Economic Development	317,920	-	5.3%	0.0%
Ministry of Tourism, Sport and the Arts	306,413	-	5.2%	0.0%
Ministry of Education	176,720	249,491	3.0%	4.7%
Other Provincial Governments	119,220	309,115	2.0%	5.8%
Municipalities	84,262	223,125	1.4%	4.2%
Crown Corporations	10,530	86,313	0.2%	1.6%
Others	895,676	101,207	15.0%	2.0%
	$ 5,948,551	$ 5,290,885	100.0%	100.0%

Completion and Milestone Fees

Completion and milestone fees are recognized when the services rendered under contracts are completed or the milestones are achieved, dependent upon the performance review by the client.

Completion and milestone fees of $139,271 were recognized for the year ended March 31, 2007. These fees were year-end fees earned from two clients – the Ministry of Transportation and Vancouver Island Health Authority – for satisfactory performance and delivery of services during the year.

In comparison, completion and milestone fees of $1,321,786 were recognized for the year ended March 31, 2006. The completion and milestone fees were earned from three Ministry of Transportation projects which reached financial close during the year: William R. Bennett Bridge Project, Sea-to-Sky Highway Improvement Project and Kicking Horse Canyon Phase 2 Project.

The table below provides details of the company's completion and milestone fees by sector.

					(% of revenues)
		2007		**2006**	**2007**	**2006**
Ministry of Transportation	$	114,736	$	1,321,786	82.4%	100.0%
Ministry of Health and Provincial Health Authorities		24,535		-	17.6%	0.0%
	$	139,271	$	1,321,786	100.0%	100.0%

Going forward, Partnerships BC anticipates its completion and milestone fees to be consistent with that of 2006-07.

Provincial Government Revenue

Under the terms of the government services contract, the Province provides the company with an annual payment for a variety of services, including:

- Generally developing the public private partnership market for British Columbia projects.
- Assisting agencies in identifying and assessing public private partnership opportunities.
- Providing policy expertise.
- Developing best practices for public private partnerships and alternative procurement methods.
- Exploring opportunities in other jurisdictions to expand the application of best practices across Canada.
- Providing other advisory and consulting services directly to the Province and/or organizations on an ongoing basis whose costs are not attributable to a specific project.

This revenue is recognized on a monthly basis.

The government services contract commenced on April 1, 2002 and will end on March 31, 2008, subject to certain renewal provisions. The term will automatically be renewed for successive periods of one year each unless either party gives at least 90 days prior written notice of non-renewal to the other. In addition, at any time during the term, either party may terminate the agreement by giving not less than six months prior written notice of termination to the other party, in which case the agreement will terminate on the effective date of the notice.

There was no change in the provincial government revenue earned in 2006-07 which remained at $1,800,000.

Other services provided to the provincial government which are not covered under the government services contract are completed under separate negotiated contracts. The revenue earned from these contracts was recorded under work fees.

Project Recoveries

Project recoveries represent reimbursable project expenses such as legal, consulting and other fees that are normally recovered. For the year ended March 31, 2007, project recoveries were $3,383,535 compared to $3,393,607 for the year ended March 31, 2006. The decrease in project recoveries was due to several large transportation projects reaching financial close: William R. Bennett Bridge Project, Sea-to-Sky Highway Improvement Project and Kicking Horse Canyon Phase 2 Project. This was offset by project recoveries from other health and transportation projects.

Other Revenue

Other revenue consists of interest income earned on surplus cash. For the year ended March 31, 2007, other revenue was $294,915 compared to $302,132 for the year ended March 31, 2006. Excluding the one-time receipt of $125,400 from the Ministry of Finance for compensation to non-union employees in 2005-06, there was an increase in other revenue in 2006-07 based on an increase in cash on hand.

Comparison to Budget

The table below provides details of the company's actual and budgeted revenues for 2006-07.

	2007 Actual	2007 Budget	Change	%
Work fees	$ 5,948,551	$ 6,913,552	$ (965,001)	-14.0%
Completion and milestone fees	139,271	75,000	64,271	85.7%
Provincial government revenue	1,800,000	1,800,000	-	0.0%
Other revenue	294,915	142,500	152,415	107.0%
	$ 8,182,737	$ 8,931,052	$ (748,315)	-8.4%

For the year ended March 31, 2007, gross revenues were 8.4 per cent below budget. This was primarily due to the limited number of projects in procurement and project approvals. With additional projects in the health and transportation sector expected to enter procurement in 2007-08, the timing of recognition of these work fees has shifted from 2006-07 to 2007-08.

The increase in completion and milestone fees was due to actual work fees which were eligible for year-end performance fees being higher than budgeted.

Expenses

The table below provides details of the company's operating expenses for 2006-07 and 2005-06.

	2007	2006	Change	%
Salaries and benefits	$ 5,600,855	$ 5,236,971	$ 363,884	6.9%
General and Adminstrative Expenses				
Administration	355,674	366,846	(11,172)	-3.0%
Building occupancy	539,297	479,531	59,766	12.5%
Communications	24,502	83,508	(59,006)	-70.7%
Information systems	165,336	169,319	(3,983)	-2.4%
Professional services	420,179	538,531	(118,352)	-22.0%
Travel	243,027	219,403	23,624	10.8%
Amortization	227,935	158,308	69,627	44.0%
	$ 1,975,950	$ 2,015,446	$ (39,496)	-2.0%
Total Operating Expenses	$ 7,576,805	$ 7,252,417	$ 324,388	4.5%
% of expenses over revenues	92.6%	83.2%		
% of general and administrative expenses over revenues	24.1%	23.1%		

For the year ended March 31, 2007, there was an increase in operating expenses of $324,388 or five per cent compared to last year. The increase was primarily attributable to the following:

- Salaries and benefits
- Building occupancy
- Travel expenses
- Amortization expenses

The increase in salaries and benefits was attributable to the increase in the number of employees and consultants required to resource new work and existing projects. This was in line with the company's new business model for 2006-07, which was more focused on work fees and less reliant on completion and milestone fees. In addition, there were more employees who were eligible for the company's benefit and pension plans.

As previously reported last year, the company's Vancouver office lease expired on March 31, 2006. The company signed a sub-lease for approximately 9,000 square feet for a period of three years and seven months at a rate of $19.75 per square foot plus operating costs. This was necessary to accommodate the additional staff required to resource new work and existing projects. The current lease rate is in line with or below market rates for comparable space as the improved economy in British Columbia has resulted in an increased demand for downtown office space. This move and the corresponding moving costs have resulted in an increase in building occupancy costs in 2006-07.

Going forward, the company anticipates an increase in building occupancy costs as its Victoria office lease is scheduled to expire on August 31, 2007. Negotiations are currently under way with its landlord; however, given the increased demand for downtown office space and the fact that there are no comparable office spaces available in the Victoria market, Partnerships BC will likely see an increase in its existing lease rates.

The increase in travel expenses was due to the increase in the number of employees and consultants and also the increase in the number of out of town business meetings to develop and promote public private partnerships.

The increase in amortization costs was primarily due to the implementation of an in-house information technology (IT) system on April 1, 2006. Partnerships BC had terminated its contract with Central IT Services (CITS) and their Helpdesk services for an in-house system with Helpdesk services provided by an external organization. As a result of the change, Partnerships BC budgeted for an increase in amortization costs which was offset by a decrease in information system costs. The decrease would have been greater if the one-time implementation and start-up costs were excluded from the balance above.

The decrease in communications costs was primarily due to completion of a client satisfaction survey in 2005-06 which is in accordance with the company's Service Plan to conduct a client survey every two years. The next survey is scheduled for 2007-08.

Overall, there was a two per cent decrease in the company's general and administrative expenses. This was in line with the company's expectations as initiatives were taken to reduce certain non-recoverable expenses. The company's general and administrative expenses as a percentage of revenues for 2006-07 were 24.1 per cent which was comparable with that of 2005-06 of 23.1 per cent.

Comparison to Budget

The table below provides details of the company's actual and budgeted expenses for 2006-07.

	2007 Actual	2007 Budget	Change	%
Salaries and benefits	$ 5,600,855	$ 5,783,054	$ (182,199)	-3.2%
General and Administrative Expenses				
Administration	355,674	352,260	3,414	1.0%
Building occupancy	539,297	506,296	33,001	6.5%
Communications	24,502	115,000	(90,498)	-78.7%
Information systems	165,336	194,977	(29,641)	-15.2%
Professional services	420,179	525,000	(104,821)	-20.0%
Travel	243,027	193,200	49,827	25.8%
Amortization	227,935	235,259	(7,324)	-3.1%
	$ 1,975,950	$ 2,121,992	$ (146,042)	-6.9%
	$ 7,576,805	$ 7,905,046	$ (328,241)	-4.2%
% of expenses over revenues	92.6%	88.5%		
% of general and administrative expenses over revenues	24.1%	24.3%		

Salaries and benefits for the year ended March 31, 2007 were under budget by $182,199. The company had budgeted for a full complement of staff, which included new hires for vacant positions and timely replacement of employees who resigned or retired from Partnerships BC. Although the budget was for 40.2 Full Time Equivalents (FTEs), Partnerships BC had an average of 39.2 FTEs during the year. The company did not replace some senior employees who resigned or retired. Instead, the company engaged individuals who were Project Directors and Senior Consultants with project management skills.

Building occupancy costs for the year ended March 31, 2007 were over budget by $33,001 as the company had planned to recover a portion of its building occupancy cost from setting up a project office in Vancouver. Plans to establish a project office are deferred until the project is approved for procurement.

Professional fees for the year ended March 31, 2007 were under budget by $104,821. The limited number of projects in procurement provided Partnerships BC with the opportunity to resource planned initiatives with internal resources instead of external consultants.

Communications expenses for the year ended March 31, 2007 were under budget by $90,498 as the company did not engage a communications consultant as planned, as there were sufficient internal resources to complete all the required communication initiatives.

Overall, general and administrative expenses for the year ended March 31, 2007 as a percentage of revenues were in line with budget expectations, 24.1 per cent versus 24.3 per cent.

Balance Sheet

The table below presents a comparison of selected balance sheet items of the current fiscal year with those of the previous fiscal year. The following table should be read in conjunction with Note 3 to the Notes to Consolidated Financial Statements.

	2007	2006	Change	%
Cash and cash equivalents	$ 23,744,693	$ 30,452,092	$ (6,707,399)	-22.0%
Accounts receivable	3,864,417	4,187,911	(323,494)	-7.7%
Long-term investment	-	709,350	(709,350)	-100.0%
Land	4,611,647	4,611,647	-	0.0%
Construction in progress	223,524,928	120,686,777	102,838,151	85.2%
Deferred development costs	13,860,246	12,314,825	1,545,421	12.5%
Other assets	357,088	425,963	(68,875)	-16.2%
Total assets	269,963,019	173,388,565	96,574,454	55.7%
Accounts payable and accrued liabilities	2,800,576	2,610,603	189,973	7.3%
Deferred revenue	-	65,000	(65,000)	-100.0%
Loan payable	179,140,358	104,367,456	74,772,902	71.6%
Deferred capital contribution	76,572,460	55,501,813	21,070,647	38.0%
Total liabilities	258,513,394	162,544,872	95,968,522	59.0%
Total shareholder's equity	$ 11,449,625	$ 10,843,693	$ 605,932	5.6%

Cash and cash equivalents decreased by $6,707,399 from $30,452,092 as at March 31, 2006 to $23,744,693 as at March 31, 2007. The breakdown of cash and cash equivalents as at March 31, 2007 was as follows: $7,035,926 in cash, $15,519,956 in restricted cash and $1,188,811 in investments (of which $709,350 was pledged to the Canadian Imperial Bank of Commerce as security for one Letter of Credit to the City of Abbotsford). In comparison, as at March 31, 2006, the breakdown was: $6,888,475 in cash, $21,927,301 in restricted cash and $1,636,316 in investments. The decrease in restricted cash was due to progress payments made on the construction of ARHCC net of cash receipts received from the Fraser Valley Regional Health District (FVRHD) for their share of the capital contribution to construct the hospital and cancer centre. The amount of restricted cash will be expended when the hospital and cancer centre is completed in May 2008 with the exception of any approved holdbacks.

Accounts receivable decreased by $323,494 from $4,187,911 as at March 31, 2006 to $3,864,417 as at March 31, 2007. The decrease was attributable to the decrease in gross revenues and also the company's collection efforts and an improved system which allowed the company to recover its out of pocket or recoverable costs from its clients in a timely manner. As at March 31, 2007, Partnerships BC had 83 per cent in current receivables (between zero and 30 days) and its weighted average number of days outstanding was approximately 20 days.

Long-term investment represents investment with maturities which are greater than one year. The long-term investment as at March 31, 2006 was reclassified as cash and cash equivalents as the investment will mature in 2007-08.

Construction in progress represents total construction costs approved for payment by ARHCC's independent certifier. As at March 31, 2007, the project is approximately 75 per cent complete and the independent certifier has approved claims totaling $219,885,794. The balance is made up of construction insurance and work permit fees. Construction in progress as at March 31, 2007 was $223,524,928. The project is on budget and on schedule for completion in May 2008. Upon completion of the project, ownership of ARHCC will be transferred to the Fraser Health Authority (FHA) and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre. There have been no delays or net change orders during the construction process.

Deferred development costs represent ARHCC's direct development and overhead costs or operating costs. Project expenses for ARHCC increased by $1,545,421 from $12,314,825 as at March 31, 2006 to $13,860,246 as at March 31, 2007.

There were no significant changes to the following accounts: land and other current assets. There was an increase in capital assets, in line with the company's plan to implement an in-house IT system, of $195,764 but this was offset by amortization expenses of $227,935.

Liabilities and Shareholder's Equity

Accounts payable and accrued liabilities increased by $189,973 from $2,610,603 as at March 31, 2006 to $2,800,576 as at March 31, 2007. Partnerships BC has always taken advantage of its terms and credit availability with suppliers and pays all invoices when due, normally within 30 days. The increase in accounts payable and accrued liabilities was due to the increased number of invoices processed and accrued before year-end.

Deferred revenue represented retainers received from two projects in 2005-06 and were applied against work fees and reimbursable expenses in 2006-07.

Loan payable increased by $74,772,902 during the year to reflect the funding received from ARHCC's private sector partner, Access Health Abbotsford (AHA), for ARHCC's construction costs.

Deferred capital contribution represents contributions received from FVRHD and reimbursements from the Ministry of Health for ARHCC's monthly operating costs. During the year, FVRHD contributed $18,600,000 (2006 – $32,300,000) and $2,470,647 (2006 – $2,227,781) was received from the Ministry of Health, resulting in a balance of $76,572,460 as at March 31, 2007.

The increase in shareholder's equity was attributable to the net income earned during the year. The company's shareholder has approved Partnerships BC retaining its earnings.

Statements of Cash Flows

Liquidity and capital resources

The table below presents a comparison of the company's cash and cash equivalents for the current fiscal year with that of the previous fiscal year.

	2007	2006	Change
Cash and cash equivalents, beginning of year	$ 30,452,092	$ 14,194,277	$ 16,257,815
Cash provided by (used by):			
Operating activities	1,319,038	905,166	413,872
Investing activities	(103,869,986)	(89,970,366)	(13,899,620)
Financing activities	95,843,549	105,323,015	(9,479,466)
Cash and cash equivalents, end of year	$ 23,744,693	$ 30,452,092	$ (6,707,399)

Cash flow from operating activities

Cash flow from operations was $1,319,038 in 2006-07 compared to a cash flow of $905,166 in 2005-06, an increase of $413,872. Net income and changes to working capital were the primary reasons behind the increase.

Cash flow from investing activities

Cash used in investing activities increased by $13,899,620 due to an increase in the amount of progress payments for ARHCC and an increase in capital asset expenditures which was in line with the company's implementation of an in-house IT system. During the year, the company also implemented an 'Evergreen' policy whereby computer systems would be replaced every three years. The company has been advised that it is more cost effective to replace old computers than to maintain them.

Cash flow from financing activities

Cash flow from financing activities was $95,843,549 in 2006-07 compared to $105,323,015 in 2005-06, a decrease of $9,479,466. The decrease was primarily due to the reduction in contributions from FVRHD in 2006-07. The FVRHD contributions were for their share of ARHCC's construction costs. The company had budgeted to receive $32,300,000 in 2005-06 and $18,600,000 in 2006-07.

The table below presents a comparison of the company's working capital position for the current fiscal year with that of the previous fiscal year.

	2007	2006	Change
Cash and cash equivalents	$ 23,744,693	$ 30,452,092	$ (6,707,399)
Accounts receivable	3,864,417	4,187,911	(323,494)
Other current assets	35,666	72,370	(36,704)
	27,644,776	34,712,373	(7,067,597)
Accounts payable and accrued liabilities	2,800,576	2,610,603	189,973
Deferred revenue	-	65,000	(65,000)
Net working capital	$ 24,844,200	$ 32,036,770	$ (7,192,570)

As at March 31, 2007, the company's principal sources of liquidity include cash and cash equivalents of $23,744,693 and accounts receivable of $3,864,417. The company also has $2,800,576 in accounts payable and accrued liabilities due next year.

Commitments

The company is committed to payments under operating leases for premises through fiscal 2010 as follows:

Year	Amount
2008	$ 391,848
2009	330,729
2010	192,925
	$ 915,502

Contractual obligations

Under the public private partnership agreement, the company contracted with the private sector partner, AHA, to build a hospital and cancer centre, including equipment, at a cost of $355 million. The FVRHD is contributing a total of $71 million to the total cost. The remainder of the cost will be advanced by AHA, which will be repaid over the term of the agreement.

The agreement also provides for AHA to operate and maintain the hospital and cancer centre from the time it reaches substantial completion, expected to be May 2008, until April 2038.

The company will make payments from the time the hospital and cancer centre opens to the end of the term. The first year's payment will be $40.8 million, excluding any bonuses or penalties and future payments will be adjusted for inflation.

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2007, 2006 and 2005.

	2007	2006	2005
Total revenues	$ 8,182,737	$ 8,714,803	$ 6,369,431
Total operating expenses	$ 7,576,805	$ 7,252,417	$ 6,059,695
Net income (loss)	$ 605,932	$ 1,462,386	$ 289,516
Total current assets	$ 27,644,776	$ 34,712,373	$ 19,719,318
Total assets	$ 269,963,019	$ 173,388,565	$ 68,043,452
Total current liabilities	$ 2,800,576	$ 2,675,603	$ 4,115,891
Total liabilities	$ 258,513,394	$ 162,544,872	$ 58,662,145

Sea-to-Sky Highway Improvement Project

Outlook for Fiscal 2007-08

Partnerships BC undertakes the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Looking forward to 2007-08, Partnerships BC will continue to evaluate, structure and implement public private partnership solutions which serve the public interest. Fiscal 2007-08 will also be the first full year that the Province's new capital standard is implemented. The implementation of the new capital standard together with certain projects in the health and transportation sectors entering procurement should enable Partnerships BC to meet its revenue growth and net income margin (pre-variable compensation) targets as outlined in the 2007-08 to 2009-10 Service Plan.

Management Report

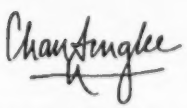
The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2007, have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. These consolidated financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2007.

Management is responsible for the preparation of the consolidated financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of consolidated financial statements.

The Board of Directors carries out its responsibility for the review of the consolidated financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Dunwoody LLP has performed an independent audit of the consolidated financial statements of Partnerships British Columbia Inc. The Auditors' report outlines the scope of their examination and expresses an opinion on the consolidated financial statements of Partnerships British Columbia Inc.

Larry Blain
President and Chief Executive Officer
Partnerships British Columbia Inc.



Chan-Seng Lee, CA
Comptroller
Partnerships British Columbia Inc.

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Auditors' Report

To the Board of Directors and Shareholder of
Partnerships British Columbia Inc.

We have audited the Consolidated Balance Sheets of Partnerships British Columbia Inc. as at March 31, 2007 and the Consolidated Statements of Income and Retained Earnings and Cash Flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported upon by the Office of the Auditor General of British Columbia who expressed an opinion without reservation in their report dated May 5, 2006.

BDO Dunwoody LLP

Vancouver, British Columbia
April 20, 2007

Partnerships British Columbia Inc.
Consolidated Balance Sheets as at March 31

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	$ 23,744,693	$ 30,452,092
Accounts receivable	3,864,417	4,187,911
Other current assets	35,666	72,370
Total current assets	27,644,776	34,712,373
Long-term investment (Note 4)	-	709,350
Capital assets (Notes 2 and 5)	321,422	353,593
Land (Note 10)	4,611,647	4,611,647
Construction in progress (Note 6)	223,524,928	120,686,777
Deferred development costs (Note 7)	13,860,246	12,314,825
Total assets	**$ 269,963,019**	**$ 173,388,565**

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

APPROVED ON BEHALF OF THE BOARD

R.T. Mahler, Director

H. Calla, Director

Partnerships British Columbia Inc.
Consolidated Balance Sheets as at March 31

	2007	2006
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,800,576	$ 2,610,603
Deferred revenue	-	65,000
Total current liabilities	2,800,576	2,675,603
Loan payable (Note 8)	179,140,358	104,367,456
Deferred capital contribution (Note 9)	76,572,460	55,501,813
Total liabilities	**258,513,394**	**162,544,872**
SHAREHOLDER'S EQUITY		
Share capital		
Authorized		
5,000,000 common shares, no par value		
Issued		
2 common shares	2	2
Contributed surplus (Note 10)	7,152,726	7,152,726
Retained earnings	4,296,897	3,690,965
Total shareholder's equity	**11,449,625**	**10,843,693**
Total liabilities and shareholder's equity	**$ 269,963,019**	**$ 173,388,565**

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

Partnerships British Columbia Inc.
Consolidated Statements of Income and Retained Earnings
for the Years Ended March 31

	2007	2006
REVENUES		
Fees for services	$ 6,087,822	$ 6,612,671
Provincial government revenue	1,800,000	1,800,000
Other revenue	294,915	302,132
	8,182,737	8,714,803
EXPENSES		
Operating expenses		
Administration	355,674	366,846
Amortization	227,935	158,308
Building occupancy	539,297	479,531
Communications	24,502	83,508
Information systems	165,336	169,319
Professional services	420,179	538,531
Salaries and benefits	5,600,855	5,236,971
Travel	243,027	219,403
Total operating expenses	7,576,805	7,252,417
Operating income	605,932	1,462,386
Project recoveries	3,383,535	3,393,607
Project expenses (Note 11)	3,383,535	3,393,607
	-	-
Net income	605,932	1,462,386
Retained earnings, beginning of year	3,690,965	2,228,579
Retained earnings, end of year	**$ 4,296,897**	**$ 3,690,965**

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

Partnerships British Columbia Inc.
Consolidated Statements of Cash Flows for the Years Ended March 31

	2007	2006
Operating activities		
Net income	$ 605,932	$ 1,462,386
Add:		
Amortization	227,935	158,308
	833,867	1,620,694
Changes in working capital items:		
Accounts receivable	323,494	733,069
Other current assets	36,704	(8,309)
Accounts payable and accrued liabilities	189,973	(1,393,564)
Deferred revenue	(65,000)	(46,724)
Cash provided by operating activities	1,319,038	905,166
Investing activities		
Decrease (increase) in long-term investment	709,350	(122,189)
Purchase of capital assets	(195,764)	(166,808)
Construction in progress	(102,838,151)	(87,946,209)
Deferred development costs	(1,545,421)	(1,735,160)
Cash (used) by investing activities	(103,869,986)	(89,970,366)
Financing activities		
Loan payable	74,772,902	70,795,234
Deferred capital contribution	21,070,647	34,527,781
Cash provided by financing activities	95,843,549	105,323,015
Increase (decrease) in cash and cash equivalents	(6,707,399)	16,257,815
Cash and cash equivalents, beginning of year	30,452,092	14,194,277
Cash and cash equivalents, end of year	**$ 23,744,693**	**$ 30,452,092**

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

Partnerships British Columbia Inc.
Notes to Consolidated Financial Statements
For the Years Ended March 31, 2007 and 2006

1. Nature of Business

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its shareholder, the Minister of Finance. The Company has been mandated to promote public private partnerships and to advise, support and, in some cases, manage the creation of public private partnerships and to carry out related activities. The mandate of the Company is to maximize the value to the Province of public capital assets, such as hospitals, educational facilities, and highways and to minimize the cost and improve the quality of government services provided using these assets.

The Company's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management;
- Provide advice to the Province and its agencies on public private partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants;
- Foster a positive business and policy environment for successful public private partnerships and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these emerging areas; and
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Company's clients are public sector agencies, including ministries, Crown corporations, and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

The Company's wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC) (formerly Abbotsford Hospital and Cancer Centre Inc.) was incorporated under the *Company Act* on September 2, 2003 to enter into a public private partnership as the public sector partner for the building and operation of a hospital and cancer centre in Abbotsford, British Columbia. ARHCC is classified as a not-for-profit organization under Section 149(1)(l) of the *Income Tax Act*. As set out in Note 3 to the financial statements, ownership of ARHCC will be transferred to the Fraser Health Authority and the Provincial Health Services Authority upon completion of the project.

2. Summary of Significant Accounting Policies

These Consolidated Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles. Significant accounting policies are as follows:

a. Principles of Consolidation

The Consolidated Financial Statements include the accounts of Partnerships BC and its wholly-owned subsidiary ARHCC.

b. Short-Term Investments

Short-term investments are carried at fair values.

c. Capital Assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following annual rates:

• Computer software	2 years
• Computer hardware	3 years
• Furniture and equipment	5 years
• Leasehold improvements	5 years
• Knowledge management	2 years
• Website development	3 years

Partnerships British Columbia Inc.
Notes to Consolidated Financial Statements
For the Years Ended March 31, 2007 and 2006

d. Deferred Development Costs

Deferred development costs represent the direct development and overhead costs directly attributable to the development of ARHCC. These costs include pre-acquisition costs such as environmental studies, legal and other professional services. When the project is complete, these costs will form part of the capitalized cost of the asset.

e. Federal and Provincial Taxes

Partnerships BC is exempt from corporate income taxes; however, it is subject to the *Goods and Services Tax* (GST).

f. Revenue Recognition

Project Recoveries

Reimbursements of eligible expenses are recognized in the period the expenses are incurred.

Fees for Services

The Company provides professional services under fee for service, cost based and fixed price contracts. Work-in-progress is valued at estimated net realizable value. Under level of effort contracts, revenue is recognized as services are provided. For cost based contracts, revenue is recorded as reimbursable costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method whereby revenue and profit are based on a ratio of costs incurred to total estimated costs of the projects. Losses, if any, on fixed price contracts are recognized during the period they are identified. The Company recognizes revenue when persuasive evidence of an agreement exists, the terms are fixed or determinable, services are performed and collection is probable.

Capital Contributions

The Company follows the deferral method of accounting for capital contributions. Contributions are deferred and are amortized to income at the same rate as the related capital asset.

g. Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates.

3. Consolidation

Partnerships BC incorporated a wholly-owned subsidiary, ARHCC, under the *Company Act* on September 2, 2003 and commenced operations on that date to provide a single public entity to contract with the private sector partner.

ARHCC entered into a project agreement with the private sector partner on December 7, 2004. Under the agreement, the private sector partner will design, construct, finance, operate and maintain the hospital and cancer centre until the end of the term of the agreement, May 6, 2038. All payment obligations to the private sector partner are guaranteed by the Province.

Once the project is completed, ownership of ARHCC will be transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre (see note 13).

Partnerships British Columbia Inc.
Notes to Consolidated Financial Statements
For the Years ended March 31, 2007 and 2006

These Consolidated Financial Statements include the accounts of ARHCC as follows:

	2007	2006
Current assets	$ 16,300,098	$ 24,129,071
Long-term investment	-	709,350
Land	4,611,647	4,611,647
Construction in progress	223,524,928	120,686,777
Deferred development costs	13,860,246	12,314,825
Total assets	$ 258,296,919	$ 162,451,670
Current liabilities	$ 16,000	$ 14,300
Deferred capital contribution	76,572,460	55,501,813
Loan payable	179,140,358	104,367,456
Net assets	2,568,101	2,568,101
Total liabilities and net assets	$ 258,296,919	$ 162,451,670

4. Cash and Cash Equivalents

	2007	2006
Cash	$ 7,035,926	$ 6,888,474
Restricted cash	15,519,956	21,927,302
Short-term investments	1,188,811	1,636,316
	$ 23,744,693	$ 30,452,092

Restricted cash represents contributions from the Fraser Valley Regional Hospital District for construction costs in relation to the hospital and cancer centre (see Note 1). The contributions are included in deferred capital contribution referred to in Note 9.

Short-term investments consist of liquid investments, such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments, and Canadian government securities with maturities of 90 days or less from the date of purchase.

Investments totalling $709,350 are pledged as security for one (1) (2006-two (2)) letter of credit. Investments with maturities greater than one year are disclosed as long-term investment.

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5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Computer software	$ 181,350	$ 126,638	$ 54,712	$ 37,975
Computer hardware	268,504	167,114	101,390	76,850
Furniture and equipment	129,085	96,740	32,345	70,650
Leasehold improvements	234,819	138,525	96,294	101,706
Knowledge management	97,382	60,701	36,681	66,412
Website development	18,398	18,398	-	-
	$ 929,538	$ 608,116	$ 321,422	$ 353,593

6. Construction in Progress

Construction in progress is recorded at cost. The balance represents the percentage of construction completed as certified by an independent third party certifier.

7. Deferred Development Costs

Deferred development costs represent the accumulation of all planning costs directly attributable to the acquisition of the hospital and cancer centre (see Note 1). These costs will be amortized in future periods.

8. Loan Payable

The expenditures made towards construction in progress are recorded as a loan payable. Partial repayments are made from contributions received from the Fraser Valley Regional Hospital District. These repayments are made on a quarterly basis. The financing terms are closely bound to the public private partnership agreement and as such there is no stated interest rate. Payments to the private sector partner cover all aspects of the arrangement including financing, capital costs of the facility, its maintenance and facilities management services over the term of the contract, which is expected to be from May 2008 to April 2038 (see notes 3 and 13).

9. Deferred Capital Contribution

Deferred capital contribution represents the contributions received from the Fraser Valley Regional Hospital District and reimbursements from the Ministry of Health for the Company's monthly operating costs. During the year, ARHCC received $18,600,000 (2006 - $32,300,000) in contributions from the Fraser Valley Regional Hospital District and $2,470,647 (2006 - $2,227,781) from the Ministry of Health.

10. Contributed Surplus

Partnerships BC was incorporated on October 26, 1977 (as Duke Point Development Limited) under the *Business Corporations Act*, formerly the *Company Act*, as a Crown corporation of the Province. In March 2002, Duke Point Development Limited transferred all its physical property to the Province and ceased all land development activities. In August 2002, as part of the restructuring of the Corporation, the Province, as shareholder, authorized the elimination of the accumulated deficit of Duke Point Development Limited, in the amount of $29,786,662, by reducing the shareholder's contributed surplus of $34,371,288 by a corresponding amount. The remaining balance of $4,584,626 remains in contributed surplus of Partnerships BC.

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In fiscal 2005, the Fraser Health Authority transferred a piece of land with a net book value of $2,568,100 to the Company for nil consideration. The corresponding credit was made to contributed surplus.

11. Project Expenses

Project expenses represent costs, such as legal and consulting fees, incurred by Partnerships BC in connection with projects. The Company normally recovers these costs from its clients. Indirect and specific project costs ineligible for reimbursement are covered by provincial government revenue under the Public Private Partnerships Agreement between the Province and Partnerships BC, dated April 1, 2002.

Project expenses incurred during the year are as follows:

Project	2007	2006
Britannia Mine Water Treatment Plant	$ 62,298	$ 140,624
Children's & Women's Hospital	954,435	13,927
Gateway Program	1,070,322	789,863
Kicking Horse Canyon Phase 2 Project	52,504	212,700
Charles Jago Northern Sport Centre	21	152,500
William R. Bennett Bridge Project	-	138,673
Partenaires public-privé Québec – General	102,143	73,688
Primary Health Care Access Centres	114,533	163,848
Royal Roads University	8,507	149,565
Sea-to-Sky Highway Improvement Project	149	644,889
Vancouver Coastal Health Authority	122,742	531,834
Vancouver Island Health Authority	393,443	-
Others	502,438	381,496
	$ 3,383,535	$ 3,393,607

12. Commitments

Partnerships BC is committed to payments under operating leases for premises through fiscal 2010.

The estimated payments are as follows:

Year	Amount
2008	$ 391,848
2009	330,729
2010	192,925
	$ 915,502

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13. Contractual Obligations

Under the public private partnership agreement referred to in Note 3, ARHCC has contracted with the private sector partner to build a hospital and cancer centre, including equipment, at a capital cost of $355 million. The Fraser Valley Regional Hospital District is contributing a total of $71 million to the total cost. The remainder of the cost will be advanced by the private sector partner, which will be repaid over the term of the agreement.

The agreement also provides for the private sector partner to operate and maintain the hospital and cancer centre from the time it reaches substantial completion, expected to be May 2008, until April 2038.

ARHCC will start making payments once the hospital and cancer centre reaches substantial completion, expected to be May 2008. The first year's payment will be $40.8 million, excluding any bonuses or penalties and future payments will be adjusted for inflation.

14. Employee Benefit Plan

The employees and employers of the public service contribute to the Public Sector Pension Plan (the Plan), a jointly trusted pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has about 51,000 active plan members and approximately 30,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2005 indicated an unfunded liability of $767 million for basic pension benefits.

The next valuation will be as at March 31, 2008, with results available in early 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The employees of Partnerships BC contributed $273,641 (2006 - $241,971) while Partnerships BC paid $306,236 (2006 - $248,092) in employer contributions to the Plan in fiscal 2007.

15. Related Parties

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Company's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

In the normal course of operations, Partnerships BC entered into transactions with the province and certain Crown corporations, at prevailing market prices and credit terms.

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The consolidated statements of income include the following transactions with related parties:

	2007	2006
Fees for services	$ 5,504,559	$ 6,010,748
Provincial government revenue	1,800,000	1,800,000
Other revenue	-	125,400
	$ 7,304,559	$ 7,936,148
Operating expenses:		
Information systems	$ 67,006	$ 134,380
Professional services	12,658	33,229
Other expenses	6,346	-
	$ 86,010	$ 167,609

Assets and liabilities with related parties as at March 31, 2007 were:

	2007	2006
Accounts receivable	$ 3,734,000	$ 2,779,000
Accounts payable and accrued liabilities	$ 7,000	$ 645,000

16. Financial Instruments

a. Fair Value

As at March 31, 2007, the carrying values of financial instruments, including accounts receivable, other current assets and accounts payable and accrued liabilities, approximates their fair values because of the short-term nature of these instruments. The fair value of the loans payable is not determinable due to the complex and unique terms of the public private partnership agreement.

b. Interest Rate Risk

Interest rate risk on cash and investments is limited due to the short-term nature of the investments held.

c. Credit Risk

Partnerships BC grants credit to its clients, the majority of whom are provincial government ministries, agencies and Crown corporations. Credit risk is limited due to the financial stability of these organizations.

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2007 presentation.

Corporate Governance

Partnerships BC is governed by a Board of Directors that reports to the shareholder on the operations of the company. The Board of Directors was appointed July 15, 2003 and the composition of the Board reflects the unique mandate of the company, with Directors drawn from both the public and private sectors. The Board has two key functions: to provide governance and oversight for the company and to review and recommend potential partnership opportunities. The Board follows governance principles as set out in the *Best Practices Guidelines* published by the Board Resourcing and Development Office of the Ministry of Labour and Citizens' Services.

The activities of the Board are governed by disclosure guidelines set by the Province. Details on Partnerships BC's governance practices can be found at www.partnershipsbc.ca

Board of Directors

Standing left to right: Harold Calla, Rick Mahler, Colin Dobell, Charles Jago
Seated left to right: Ellen Morfitt, Celia Courchene
Missing: Susan Conner, Dan Doyle, Barry Lapointe

Board Committees

The Board is supported by two subcommittees:

The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the service plan, annual business plan, operating and capital budgets, and any budget presentations to government. The committee also reviews the company's risk management, internal controls and information systems. The committee members are: Harold Calla (Chair), Susan Conner, Dan Doyle and Ellen Morfitt.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters, and the establishment of a plan of continuity and development for senior management. The committee also provides a focus on corporate governance to enhance the performance of the company. The committee members are: Celia Courchene (Chair), Colin Dobell, Charles Jago and Barry Lapointe.

Senior Management

- Larry Blain, *President and CEO*
- Grant Main, *Vice President, Partnerships Services*
- Vice President, *Partnerships Development and Delivery*[3]
- Chan-Seng Lee, *Comptroller*

Shareholder's Expectations

Letter of Expectation	2006/07 Service Plan Goals
■ Provide expert services to the Province and its agencies in the procurement of partnership projects ■ Ensure the public interest is served ■ Demonstrate fair, transparent and competitive processes	Goal 1: Structure and implement public private partnership solutions which serve the public interest
■ Build a centre of expertise and excellence that will be recognized for innovation and performance ■ Grow the public private partnership market in B.C.	Goal 2: Encourage development of the public private partnership market in British Columbia
■ Improve efficiency and quality of delivery of partnership transactions ■ Remain commercially viable on an ongoing basis and increase productivity by ensuring that revenues meet or exceed expenses ■ Build and retain the Partnerships BC team	Goal 3: Remain commercially viable and increase productivity

[3] Recruitment process underway to fill this position.

Information on Subsidiaries

Abbotsford Regional Hospital and Cancer Centre Inc.

Project description and vision

The Abbotsford Regional Hospital and Cancer Centre is planned as a state-of-the-art 300-bed capacity replacement for the aging MSA Hospital in Abbotsford. This $355 million project will be an important regional referral hospital for the Fraser Valley and the fifth regional centre in the BC Cancer Agency's provincial cancer control network. The Abbotsford Regional Hospital and Cancer Centre is the first hospital public private partnership project in the history of British Columbia.

The project involves a 30-year operating agreement between the public and private sectors. The public sector (the Fraser Health Authority and the Provincial Health Services Authority) will provide all clinical services and the private sector will finance, design and construct the hospital and cancer centre, and maintain the building through the provision of facility management services such as housekeeping and laundry. The performance based partnership agreement specifies high quality standards the private sector must meet to receive its annual service payment.

The project vision is:

"Together we will create an innovative environment that inspires caring and the pursuit of knowledge and excellence."

Mission

Abbotsford Regional Hospital and Cancer Centre Inc., as a subsidiary of Partnerships BC, is responsible for the procurement of the Abbotsford Regional Hospital and Cancer Centre from the competitive process through to the commissioning of the facility, at which point it will be transferred to the Fraser Health Authority and Provincial Health Services Authority for the 30-year operations phase of the project.

Location of operations

MSA Hospital
c/o West Annex
2179 McCallum Road
Abbotsford, British Columbia

Governance structure

Abbotsford Regional Hospital and Cancer Centre Inc. was established under the *Business Corporations Act* as the public sector decision making and contractual vehicle for the purposes of the public private partnership.

The company has a five member Board of Directors, including representatives from Partnerships BC, the Ministry of Health, the Fraser Health Authority and the Provincial Health Services Authority. In addition, the Fraser Valley Regional Hospital District, which is contributing $71 million toward the capital cost of the project, is represented at the Board in an observer capacity.

Following substantial completion of the project, the shares of the company will be transferred from Partnerships BC to the Fraser Health Authority and Provincial Health Services Authority.

"...it is unquestionable that the people of Abbotsford are getting a tremendous new health care facility."

– The Abbotsford News
January 2007

Operations and results

It has been another successful year for Abbotsford Regional Hospital and Cancer Centre Inc.

Following execution of the Project Agreement on December 7, 2004, intensive Schematic Design and Design Development work commenced in a highly consultative fashion and concluded in August 2005. Since that time, clinical programming and planning has been undertaken. In addition, the procurement of equipment for the hospital and cancer centre has commenced. As of March 2007, the project is 75 per cent complete and has remained on time, on budget and within the agreed to scope – an unprecedented achievement for a health care project of this size and complexity.

The new hospital and cancer centre will provide:

- $84 million in state-of-the-art diagnostic equipment and technology.
- New and enhanced health programs and services for residents of the Fraser Valley.
- A healthy, healing and inviting environment for patients, staff and visitors.
- An environmentally-friendly building designed and constructed to Leadership in Energy and Environmental Design (LEED) Silver standards.

The Abbotsford Regional Hospital and Cancer Centre will be open for patients in summer 2008.

Financial Results

Abbotsford Regional Hospital and Cancer Centre Balance Sheet as at March 31

	2007	2006	Change
ASSETS			
Current assets			
Cash	$ 15,520	$ 21,927	$ (6,407)
Short-Term Investment	709	1,174	(465)
Accounts Receivable	71	1,028	(957)
Total current assets	16,300	24,129	(7,829)
Long-Term Investment	$ -	$ 709	$ (709)
Land	4,612	4,612	-
Construction in Progress	223,525	120,687	102,838
Deferred Development Costs	13,860	12,315	1,545
Total assets	$ 258,297	$ 162,452	$ 95,845
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts Payable and Accrued Liabilities	$ 16	$ 14	$ 2
Total current liabilities	16	14	2
Deferred Capital Contributions	76,573	55,502	21,071
Loan Payable	179,140	104,368	74,772
Total liabilities	255,729	159,884	95,845
Net assets			
Unrestricted net assets	0	0	-
Net assets invested in capital assets	2,568	2,568	-
Total net assets	2,568	2,568	-
Total liabilities and net assets	$ 258,297	$ 162,452	$ 95,845

Assets

Cash and cash equivalents decreased by $6,871,996 from $23,101,302 to $16,229,306. The breakdown of cash and cash equivalents for 2007 was as follows: $15,519,956 in restricted cash and $709,350 in short-term investments. In comparison, the breakdown for 2006 was as follows: $21,927,302 in restricted cash and $1,174,000 in short-term investments. The decrease in restricted cash was due to the funding flow of RHD funds to Access Health Abbotsford (AHA), the private sector partner on the ARHCC project.

Accounts receivable relates to accrued interest receivable.

Construction progress represents the total construction costs approved for payment by AHA to the contractor by ARHCC's independent certifier. For the year ending March 21, 2007, the independent certifier has approved claims totalling $102,778,704. The balance consists of project development cost charges and off-site civil works. The construction in progress as at March 31, 2007 was $223,524,928.

Deferred development costs related to ARHCC's project expenses increased by $1,545,420 from $12,314,825 to $13,860,246. These costs represent the direct development and overhead costs attributable to the project.

Liabilities and Net Assets

Loans payable increased by $74,772,902 due to the increase in construction costs for ARHCC less the RHD funding flows.

Deferred capital contribution represents contributions received from RHD and reimbursements from the Ministry of Health for monthly operating costs. During the period, RHD contributed $18,600,000 and $1,528,258 was received from the Ministry of Health and $942,388 in interest, resulting in an increase of $21,070,646 at year-end.

FTE Count

ARHCC Inc. has no FTEs.

Appendix 1: Changes to Goals and Measures

Goal 1: Structure and implement public private partnership solutions which serve the public interest

2006-07 SERVICE PLAN Measures:	2007-08 TO 2009-10 SERVICE PLAN Measures:	Comments
▪ Public Private Partnership development agreement engagements with Province and/or other agencies ▪ Revenue growth ▪ Client survey results indicate Partnerships BC performance meets or exceeds client expectations ▪ Project milestones achieved ▪ Publish Value for Money Reports on all projects after financial close has been reached ▪ Publish fairness and probity opinions on projects where size and scope warrants fairness review	▪ Public Private Partnership development agreement engagements with Province and/or other agencies ▪ Revenue growth ▪ Client survey results indicate Partnerships BC performance meets or exceeds client expectations ▪ Project milestones achieved ▪ Publish Value for Money Reports or other communications on all projects after financial close has been reached ▪ Publish fairness and probity opinions on projects where size and scope warrants review	Partnerships BC is committed to communicating the value and expected benefits achieved for each partnership project. A range of communications vehicles will be used to achieve this, depending on the size, scope and complexity of individual projects

Goal 2: Encourage development of the partnerships market in British Columbia

2006-07 SERVICE PLAN Measures:	2007-08 TO 2009-10 SERVICE PLAN Measures:	Comments
▪ New market participants in B.C. ▪ Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments ▪ Annual examples of synergies and process cost reductions ▪ External validation (i.e. awards, informed media coverage, etc.)	▪ New market participants in B.C. ▪ Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments ▪ Annual examples of synergies and process cost reductions ▪ External validation (i.e. awards, informed media coverage, etc.)	No changes

Goal 3: Remain commercially viable and increase productivity

2006-07 SERVICE PLAN Measures:	2007-08 TO 2009-10 SERVICE PLAN Measures:	Comments
▪ Meet financial plan targets (minimum 15% Net Income Margin pre-variable compensation) ▪ Net Income Margin ▪ Minimize charge-out rates to clients ▪ Employee satisfaction ▪ Targeted and relevant training	▪ Meet financial plan targets (minimum 15% Net Income Margin pre-variable compensation) ▪ Net Income Margin ▪ Minimize charge-out rates to clients ▪ Employee satisfaction ▪ Targeted and relevant training	No changes

Goal 4: Ensure that Public Private Partnership Projects with Provincial Funding Exceeding $20 million, where Partnerships British Columbia Provides a Review and Oversight Role, are Structured and Implemented Utilizing Best Practices

	2007-08 TO 2009-10 SERVICE PLAN Measures:	Comments
	▪ Client (ministries) Satisfaction survey and milestones met ▪ Examples of best practices applied and costs reduced on oversight projects	New goal to reflect and measure Partnerships BC's role in applying the Province's new capital standard.

"The bottom line is that P3s have a proven track record both internationally and in British Columbia for delivering infrastructure projects on time and on budget, while providing taxpayers with value for money."

– John Winter, President and CEO
BC Chamber of Commerce
November 2006

Sea-to-Sky Highway Improvement Project

partnerships
British Columbia

Contact Information

For more information on Partnerships British Columbia Inc., contact us at:

PO Box 9478 Stn Prov Govt
Victoria, BC V8W 9W6

or visit our website at:
www.partnershipsbc.ca

Back cover photos (left to right):

- Britannia Mine Water Treatment Plant
- Gordon and Leslie Diamond Health Care Centre
- Abbotsford Regional Hospital and Cancer Centre

BRITISH COLUMBIA
The Best Place on Earth

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